FISCAL NOTE

Bill #:	HB0551	**Title:**	Authorize local voted sales tax
Primary Sponsor:	Branae, G.	**Status:**	As Introduced

Sponsor signature Date David Ewer, Budget Director Date

Fiscal Summary

	FY 2006 Difference	FY 2007 Difference
Expenditures:		
General Fund	$0	$0
Revenue:		
General Fund	$0	$0
Net Impact on General Fund Balance:	$0	$0

- ☒ Significant Local Gov. Impact
- ☐ Included in the Executive Budget
- ☐ Dedicated Revenue Form Attached
- ☒ Technical Concerns
- ☒ Significant Long-Term Impacts
- ☐ Needs to be included in HB 2

Fiscal Analysis

ASSUMPTIONS:

1. This bill would give all cities and counties the authority to levy a local option sales tax. Combined city and county tax rates in any location could not exceed 4%.
2. Section 3 provides that "the tax may not be imposed on medicine, medical supplies, or goods and services sold for resale within the municipality or county." Sections 4 and 5 refer to the tax as applying to luxury goods. Section 3 allows a very broad tax base, while sections 4 and 5 appear to imply a much narrower tax base.
3. The revenue local governments would receive from adopting local option sales taxes would depend on how many jurisdictions adopted the tax, the tax rates they adopted, and the specific goods and services they taxed.
4. If all jurisdictions adopted a narrow luxury tax with a 4% rate, total revenue would be about $75 million per year. If all jurisdictions adopted a very broad tax with a 4% rate, as appears to be allowed by Section 3, total revenue could be up to $700 million per year. If all jurisdictions adopted a 4% tax with a base similar to general sales taxes in other states, revenue would probably be between $450 million and $550 million. If not all jurisdictions adopt the tax or it is adopted with a lower rate, total revenue would be lower.
5. If local governments adopt the tax and use the proceeds to lower property tax mill levies, there could be a small increase in non-levy revenue for the state general fund and the university system. This is revenue that is not produced by mill levies but is distributed among taxing jurisdictions in proportion to the mills they levy at the location where the revenue is generated. If cities and counties reduced their mill levies, the state school and

university mills would be a larger percentage of the total mill levies used to allocate some non-levy revenues. The increase in state revenue would be at most a few thousand dollars and would not occur until at least the fiscal year following local implementation of the sales tax. Thus, there is likely to be no effect on state revenue in the 2007 biennium.

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:
See assumptions 1-5.

TECHNICAL NOTES:
1. Section 3(2) lists only medicine, medical supplies, or goods and services sold for resale within the municipality or county as goods and services that may not be subject to the tax. Sections 4(3) and 5(4) require the election petition or resolution and administrative ordinance for a local option sales tax to state the *luxury* goods and services subject to the tax. It is unclear whether this bill would give local governments the authority to impose a broad-based general sales tax, as implied by section 3, or a narrow luxury tax, as implied by sections 4 and 5.